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RUEHKM/AMEMBASSY KAMPALA 1957
RUEHKH/AMEMBASSY KHARTOUM 0021
RUEHKI/AMEMBASSY KINSHASA 0508
RUEHLO/AMEMBASSY LONDON 0288
RUEHNR/AMEMBASSY NAIROBI 1286
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C O N F I D E N T I A L SECTION 01 OF 02 KIGALI 000558

SENSITIVE
SIPDIS

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TAGS: [BEXP](#) [BTIO](#) [ECON](#) [EFIN](#) [EINV](#) [ETRD](#) [PGOV](#) [RW](#)
SUBJECT: CHEVRON PULLS OUT OF RWANDA

REF: KIGALI 935

Classified By: Charge Cheryl Sim for reason 1.4 (b) (d)

¶1. (C) Summary: On July 1, Chevron closed shop in Rwanda. Citing extensive fraud in its Rwandan operations (including in the alleged fueling of MONUC aircraft that had not been in Kigali), and friction with the Government of Rwanda (GOR) on compliance with U.S. sanctions against fueling aircraft from Sudan and Iran, Chevron decided last November to stop doing business in the country. The U.S. oil company quietly handed over its operations to Saudi firm Bakri International, and will pull out its remaining two expatriate employees in the next few weeks. Chevron executives assert the GOR is stonewalling on a promise to reimburse them for a fuel storage tank Chevron installed in Kigali's Gregoire Kayibanda international airport in May 2008. Rwanda can ill afford to lose high profile investors like Chevron especially as it tries to overcome its reputation as a difficult place to do business. Despite aggressive marketing, Rwanda has failed to attract new investment from first-tier multinationals. Chevron's withdrawal, however discrete, also raises questions about the country's supposedly squeaky clean record on corruption. End summary.

¶2. (SBU) Through its subsidiary Caltex Exports (Rwanda) S.A.R.L., from 2003-2008 Chevron was the sole supplier of aviation fuel to Rwanda's only international airport under an agreement with the GOR that included the option to renew the contract for an additional five years. Chevron Area Manager James Chilongo told Charge and econoff Chevron decided to leave Rwanda and terminate its \$8 million annual contract last November when it discovered extensive fraud committed by its Rwanda based staff in collusion with some customers including Rwandair, The Rwanda Airport Authority and the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC).

Rwandan Government Entities Involved in Fraud

¶3. (C) Chilongo accused Rwandair and implicated the GOR in the fraudulent acts. Nine Rwanda-based employees were found to have participated in fraudulent acts by over-invoicing customers for fuel, receiving checks from Rwandair made out to themselves for services provided by Caltex and billing

MONUC for fuel stops in Kigali airport when the UN aircraft were actually in Kinshasa. The Chevron executive estimated the loss from the fraud at over \$400,000 and said the oil company would pursue legal action against the nine employees.

Chilongo noted senior officials from MONUC in Kinshasa appeared to be complicit in the scam, and stated Chevron has since refused to supply aviation fuel to MONUC. Although Chilongo said Chevron had decided to write off the \$56,000 in unpaid MONUC bills, the Charge suggested that given concerns about MONUC's performance, Chevron ought to at least consider writing to UN Secretary General Ban Ki-Moon about the situation. Chilongo said he would pass the suggestion back to his headquarters.

14. (C) Chevron and the GOR were also at odds over compliance Q4. (C) Chevron and the GOR were also at odds over compliance with U.S. sanctions prohibiting the sale of aviation fuel to aircraft from countries such as Sudan and Iran. As the sole supplier of aviation fuel in Kigali airport, Chevron was periodically asked by the GOR to fuel aircraft from sanctioned countries. Chilongo explained that Sudanese aircraft were regularly used to transport high level Rwandan delegations to other countries and noted these fueling requests required special approval from the CEO of Chevron and a waiver from the U.S. government, creating delays and friction with the Rwandan authorities. Recently, armed Rwandan Presidential guards "ordered" Chevron staff to fuel a Sudanese aircraft, Chilongo alleged.

Thank you for your investment...now go

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15. (C) Chilongo stated Chevron went out of its way to comply with the terms of its contract, and acted professionally and discretely to ensure a continuous fuel supply to its customers, and a smooth transition to Bakri International once Chevron decided not to continue the contract. (Note: The Embassy was unaware of the change in supply contract until after the July 1 hand-over). The Chevron executive confirmed that Bakri International fully complied with the terms of the equipment purchase agreement with Chevron. He added Bakri has a good reputation and does not have to contend with the same compliance issues that Chevron faced in Rwanda. While the transition between the two companies was smooth, Chevron's break from the GOR has been less amicable. Chilongo complained the GOR has failed to pay for a newly built fuel storage tank it agreed to purchase from Chevron for \$402,000 which is currently in use. The Secretary General of the Ministry of Infrastructure Vincent Gatwabuyege, who negotiated the purchase agreement with Chevron, refuses to take Chilongo's calls or respond to emails, the oil executive asserted. (Note: The Embassy will inquire with the Ministry of Infrastructure on Chevron's behalf. End note).

16. (SBU) Chevron's woes with the GOR were compounded earlier this year when the Rwanda Revenue Authority (RRA) audited Caltex Exports, claiming the company owed \$1.5 million in back taxes and fines. Chilongo admitted the RRA's claims had merit - and were partly related to the company's fraud problems, but complained the RRA acted unnecessarily aggressively, failed to properly inform the company of new tax provisions and appeared to be selectively targeting Chevron. (Note: A number of foreign investors including Heineken, Kobil and Fina Bank have also complained that the RRA selectively and unfairly targets foreign investors on tax issues - reftel).

Where's the Beef?

17. (C) Comment: Rwanda can ill afford to lose high profile investors like Chevron. The country is struggling to overcome its reputation as a difficult place to do business. Despite aggressive marketing by President Kagame and a seemingly endless stream of potential investors, Rwanda has failed to attract new investment from first tier multinationals. While Chevron has been discrete in abandoning its business interests in Rwanda, other multinationals will surely take note of the oil company's departure. Chevron's withdrawal also raises questions about the country's supposedly squeaky clean record on corruption. The GOR takes pride in its proclaimed zero tolerance for corruption, yet it is hard to believe that senior GOR officials - given the level of GOR micro-management at the airport and the fact that Rwandair is government-owned and operated - were unaware of what was taking place with Chevron.

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